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CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 327

Introduced by Assembly Member Perea

(Coauthors: Assembly Members Bigelow, Bonilla, Buchanan, Daly, Eggman, Fox, Beth Gaines, Garcia, Gray, Olsen, Pan, and Wagner)

(Coauthors: Senators ~~Cannella, Correa, and Fuller~~ *Cannella and Correa*)

February 13, 2013

An act to amend Sections ~~382 and 739.1~~ 382, 399.15, 739.1, and 2827 of, *to amend and renumber Section 2827.1 of, to add Section 2827.1 to*, and to repeal and add Sections 739.9 and 745 of, the Public Utilities Code, relating to energy ~~utility~~ rates.

LEGISLATIVE COUNSEL'S DIGEST

AB 327, as amended, Perea. Electricity: natural gas: ~~rates:~~ *rates: net energy metering: California Renewables Portfolio Standard Program.*

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical and gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires the commission to designate a baseline quantity of electricity and gas necessary to supply a significant portion of the reasonable energy needs of the average

residential customer and requires that electrical and gas corporations file rates and charges, to be approved by the commission, providing baseline rates. Existing law requires the commission, in establishing the baseline rates, to avoid excessive rate increases for residential customers. Existing law requires the commission to establish a program of assistance to low-income electric and gas customers, referred to as the California Alternate Rates for Energy (CARE) program. The CARE program provides lower rates to low-income customers that are financed through a separate rate component, which is required to be a nonbypassable element of the local distribution service and collected on the basis of usage. Eligibility for the CARE program is for those electric and gas customers with annual household incomes that are no greater than 200% of the federal poverty guideline levels.

Existing law revises certain prohibitions upon raising residential electrical rates adopted during the energy crisis of 2000–01, to authorize the commission to increase the rates charged residential customers for electricity usage up to 130% of the baseline quantities by the annual percentage change in the Consumer Price Index from the prior year plus 1%, but not less than 3% and not more than 5% per year. Existing law additionally authorizes the commission to increase the rates in effect for CARE program participants for electricity usage up to 130% of baseline quantities by the annual percentage increase in benefits under the CalWORKs program, as defined, not to exceed 3%, and subject to the limitation that the CARE rates not exceed 80% of the corresponding rates charged to residential customers not participating in the CARE program. Existing law states the intent of the Legislature that CARE program participants be afforded the lowest possible electric and gas rates and, to the extent possible, be exempt from additional surcharges attributable to the energy crisis of 2000–01.

This bill would repeal the limitations upon increasing the electric service rates of residential customers, including the rate increase limitations applicable to electric service provided to CARE customers, but would require the commission, in establishing rates for CARE program participants, to ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures and to adopt CARE rates in which the level of discount for low-income electricity and gas ratepayers correctly reflects their level of need, as determined by a specified needs assessment. The bill would require that this needs assessment be performed not less often than every 3rd year. The bill would revise the CARE program eligibility requirements to

provide that for one-person households, program eligibility would be based on 2-person household guideline levels. The bill would require the commission, when establishing the CARE discounts for an electrical corporation with 100,000 or more customer accounts in California, to ensure that the average effective CARE discount be no less than 30% and no more than 35% of the revenues that would have been produced for the same billed usage by non-CARE customers and that the entire discount be provided in the form of a reduction in the overall bill for the eligible CARE customer. The bill would require that increases to rates and charges in rate design proceedings, including any reduction in the CARE discount, be reasonable and subject to a reasonable phase-in schedule relative to the rates and charges in effect prior to January 1, 2014. The bill would authorize the commission to approve new, or expand existing, fixed charges, as defined, for an electrical corporation for the purpose of collecting a reasonable portion of the fixed costs of providing service to residential customers. The bill would require the commission to ensure that any new or expanded fixed charges reasonably reflect an appropriate portion of the different costs of serving small and large customers, do not unreasonably impair incentives for conservation and energy efficiency, and do not overburden low-income and moderate-income customers. The bill would impose a \$10 limit per residential customer account per month for customers not enrolled in the CARE program, would impose a \$5 per month limit per residential customer account per month for customers enrolled in the CARE program, and would, *beginning January 1, 2016*, authorize the commission to adjust this maximum allowable *fixed* charge by no more than the annual percentage increase in the Consumer Price Index for the prior calendar year. The bill would authorize the commission to consider whether minimum bills are an appropriate substitute for any fixed charges.

Existing law prohibits the commission from requiring or permitting an electrical corporation to do any of the following: (1) employ mandatory or default time-variant pricing, as defined, with or without bill protection, as defined, for residential customers prior to January 1, 2013, (2) employ mandatory or default time-variant pricing, without bill protection, for residential customers prior to January 1, 2014, or (3) employ mandatory or default real-time pricing, without bill protection, for residential customers prior to January 1, 2020. Existing law authorizes the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to

time-variant pricing and to participate in other demand response programs. Existing law requires the commission to only approve an electrical corporation's use of default time-variant pricing for residential customers, beginning January 1, 2014, if those residential customers have the option to not receive service pursuant to time-variant pricing and incur no additional charges, as specified, as a result of the exercise of that option. Existing law exempts certain customers from being subject to default time-variant pricing.

This bill would delete these provisions and instead prohibit the commission from requiring or permitting an electrical corporation from employing mandatory or default time-variant pricing, as defined, for any residential customer, except that beginning January 1, 2018, the commission may require or authorize an electrical corporation to employ default time-of-use pricing to residential customers, subject to specified limitations and conditions. The bill would permit the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. The bill would provide that a residential customer would have the option to not receive service pursuant to time-variant pricing and not incur any additional charge as a result of the exercise of that option. Unless the commission has authorized an electrical corporation to employ default time-of-use pricing, the bill would require the commission to require each electrical corporation to offer default rates to residential customers with at least 2 usage tiers and would require that the first tier include electricity usage of no less than the baseline quantity established by the commission. The bill would authorize the commission to modify the baseline seasonal definitions and applicable percentage of average consumption for one or more climate zones.

Existing law requires every electric utility, defined to include an electrical corporation, local publicly owned electric utility, or an electrical cooperative, to develop a standard contract or tariff providing for net energy metering, as defined, and to make this contract or tariff available to eligible customer generators, as defined, upon request for generation by a renewable electrical generation facility, as defined. An electric utility, upon request, is required to make available to eligible customer generators contracts or tariffs for net energy metering on a first-come-first-served basis until the time that the total rated generating capacity used by eligible customer generators exceeds 5% of the electric utility's aggregate customer peak demand. Existing law authorizes a

local publicly owned electric utility to elect to instead offer co-energy metering, which uses a generation-to-generation energy and time-of-use credit formula, as specified.

This bill would require a large electrical corporation, defined as an electrical corporation with more than 100,000 service connections in California, to provide net energy metering to additional eligible customer-generators in its service area through December 31, 2016, or until the utility has made a specified amount of nameplate generating capacity available to eligible customer-generators, whichever occurs first. The bill would require the commission to develop a standard contract or tariff for eligible customer-generators with a renewable electrical generation facility that are customers of a large electrical corporation no later than July 1, 2015. In developing the standard contract or tariff for large electrical corporations, the commission would be required to (1) establish rates, terms of service, and billing rules for eligible customer-generators, (2) ensure that the standard contract or tariff is based on the electric system costs and benefits received by nonparticipating customers of the electrical corporation for the renewable electrical generation facility located on the customer's premises, and (3) preserve nonparticipant ratepayer indifference. The bill would require a large electrical corporation to offer the standard contract or tariff to an eligible customer-generator beginning January 1, 2017, or prior to that date if ordered to do so by the commission because it has reached the specified nameplate generating capacity limit established for the corporation. The bill would provide that there is no limitation on the number of new eligible customer-generators entitled to receive service pursuant to the standard contract or tariff developed by the commission for a large electrical corporation. The bill would provide that an eligible customer-generator receiving service under a net energy metering standard contract or tariff with a large electrical corporation, pursuant to existing law, continues to be eligible for service pursuant to that contract or tariff until December 31, 2020. After that date, the eligible customer-generator would be eligible to receive service pursuant to the standard contract or tariff developed by the commission for a large electrical corporation.

The California Renewables Portfolio Standard Program requires the Public Utilities Commission to establish a renewables portfolio standard requiring all retail sellers, as defined, to procure a minimum quantity of electricity products from eligible renewable energy resources, as defined, at specified percentages of the total kilowatthours sold to their

retail end-customers during specified compliance periods. The program additionally requires each local publicly owned electric utility, as defined, to procure a minimum quantity of electricity products from eligible renewable energy resources to achieve the targets established by the program. Existing law prohibits the commission from requiring the procurement of eligible renewable energy resources in excess of the specified quantities.

This bill would authorize the commission to require a retail seller to procure eligible renewable energy resources in excess of the specified quantities.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because portions of this bill are within the act and require action by the commission to implement their requirements, a violation of these provisions would impose a state-mandated local program by creating a new crime or expanding an existing crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: ~~no~~-yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 382 of the Public Utilities Code is
- 2 amended to read:
- 3 382. (a) Programs provided to low-income electricity
- 4 customers, including, but not limited to, targeted energy-efficiency
- 5 services and the California Alternate Rates for Energy program
- 6 shall be funded at not less than 1996 authorized levels based on
- 7 an assessment of customer need.
- 8 (b) In order to meet legitimate needs of electric and gas
- 9 customers who are unable to pay their electric and gas bills and
- 10 who satisfy eligibility criteria for assistance, recognizing that
- 11 electricity is a basic necessity, and that all residents of the state
- 12 should be able to afford essential electricity and gas supplies, the

1 commission shall ensure that low-income ratepayers are not
2 jeopardized or overburdened by monthly energy expenditures.
3 Energy expenditure may be reduced through the establishment of
4 different rates for low-income ratepayers, different levels of rate
5 assistance, and energy efficiency programs.

6 (c) Nothing in this section shall be construed to prohibit electric
7 and gas providers from offering any special rate or program for
8 low-income ratepayers that is not specifically required in this
9 section.

10 (d) Beginning in 2002, an assessment of the needs of
11 low-income electricity and gas ratepayers shall be conducted
12 periodically by the commission with the assistance of the
13 Low-Income Oversight Board. A periodic assessment shall be
14 made not less often than every third year. The assessment shall
15 evaluate low-income program implementation and the effectiveness
16 of weatherization services and energy efficiency measures in
17 low-income households. The assessment shall consider whether
18 existing programs adequately address low-income electricity and
19 gas customers' energy expenditures, hardship, language needs,
20 and economic burdens.

21 (e) The commission shall, by not later than December 31, 2020,
22 ensure that all eligible low-income electricity and gas customers
23 are given the opportunity to participate in low-income energy
24 efficiency programs, including customers occupying apartments
25 or similar multiunit residential structures. The commission and
26 electrical corporations and gas corporations shall make all
27 reasonable efforts to coordinate ratepayer-funded programs with
28 other energy conservation and efficiency programs and to obtain
29 additional federal funding to support actions undertaken pursuant
30 to this subdivision.

31 These programs shall be designed to provide long-term
32 reductions in energy consumption at the dwelling unit based on
33 an audit or assessment of the dwelling unit, and may include
34 improved insulation, energy efficient appliances, measures that
35 utilize solar energy, and other improvements to the physical
36 structure.

37 (f) The commission shall allocate funds necessary to meet the
38 low-income objectives in this section.

39 *SEC. 2. Section 399.15 of the Public Utilities Code is amended*
40 *to read:*

1 399.15. (a) In order to fulfill unmet long-term resource needs,
2 the commission shall establish a renewables portfolio standard
3 requiring all retail sellers to procure a minimum quantity of
4 electricity products from eligible renewable energy resources as
5 a specified percentage of total kilowatthours sold to their retail
6 end-use customers each compliance period to achieve the targets
7 established under this article. For any retail seller procuring at least
8 14 percent of retail sales from eligible renewable energy resources
9 in 2010, the deficits associated with any previous renewables
10 portfolio standard shall not be added to any procurement
11 requirement pursuant to this article.

12 (b) The commission shall implement renewables portfolio
13 standard procurement requirements only as follows:

14 (1) Each retail seller shall procure a minimum quantity of
15 eligible renewable energy resources for each of the following
16 compliance periods:

17 (A) January 1, 2011, to December 31, 2013, inclusive.

18 (B) January 1, 2014, to December 31, 2016, inclusive.

19 (C) January 1, 2017, to December 31, 2020, inclusive.

20 (2) (A) No later than January 1, 2012, the commission shall
21 establish the quantity of electricity products from eligible
22 renewable energy resources to be procured by the retail seller for
23 each compliance period. These quantities shall be established in
24 the same manner for all retail sellers and result in the same
25 percentages used to establish compliance period quantities for all
26 retail sellers.

27 (B) In establishing quantities for the compliance period from
28 January 1, 2011, to December 31, 2013, inclusive, the commission
29 shall require procurement for each retail seller equal to an average
30 of 20 percent of retail sales. For the following compliance periods,
31 the quantities shall reflect reasonable progress in each of the
32 intervening years sufficient to ensure that the procurement of
33 electricity products from eligible renewable energy resources
34 achieves 25 percent of retail sales by December 31, 2016, and 33
35 percent of retail sales by December 31, 2020. The commission
36 shall require retail sellers to procure not less than 33 percent of
37 retail sales of electricity products from eligible renewable energy
38 resources in all subsequent years.

39 (C) Retail sellers shall be obligated to procure no less than the
40 quantities associated with all intervening years by the end of each

1 compliance period. Retail sellers shall not be required to
2 demonstrate a specific quantity of procurement for any individual
3 intervening year.

4 ~~(3) The commission shall not require the procurement of eligible~~
5 ~~renewable energy resources in excess of the quantities identified~~
6 ~~in paragraph (2). A retail seller may voluntarily increase its~~
7 ~~procurement of eligible renewable energy resources beyond the~~
8 ~~renewables portfolio standard procurement requirements.~~

9 *(3) The commission may require the procurement of eligible*
10 *renewable energy resources in excess of the quantities specified*
11 *in paragraph (2).*

12 (4) Only for purposes of establishing the renewables portfolio
13 standard procurement requirements of paragraph (1) and
14 determining the quantities pursuant to paragraph (2), the
15 commission shall include all electricity sold to retail customers by
16 the Department of Water Resources pursuant to Division 27
17 (commencing with Section 80000) of the Water Code in the
18 calculation of retail sales by an electrical corporation.

19 (5) The commission shall waive enforcement of this section if
20 it finds that the retail seller has demonstrated any of the following
21 conditions are beyond the control of the retail seller and will
22 prevent compliance:

23 (A) There is inadequate transmission capacity to allow for
24 sufficient electricity to be delivered from proposed eligible
25 renewable energy resource projects using the current operational
26 protocols of the Independent System Operator. In making its
27 findings relative to the existence of this condition with respect to
28 a retail seller that owns transmission lines, the commission shall
29 consider both of the following:

30 (i) Whether the retail seller has undertaken, in a timely fashion,
31 reasonable measures under its control and consistent with its
32 obligations under local, state, and federal laws and regulations, to
33 develop and construct new transmission lines or upgrades to
34 existing lines intended to transmit electricity generated by eligible
35 renewable energy resources. In determining the reasonableness of
36 a retail seller's actions, the commission shall consider the retail
37 seller's expectations for full-cost recovery for these transmission
38 lines and upgrades.

39 (ii) Whether the retail seller has taken all reasonable operational
40 measures to maximize cost-effective deliveries of electricity from

1 eligible renewable energy resources in advance of transmission
2 availability.

3 (B) Permitting, interconnection, or other circumstances that
4 delay procured eligible renewable energy resource projects, or
5 there is an insufficient supply of eligible renewable energy
6 resources available to the retail seller. In making a finding that this
7 condition prevents timely compliance, the commission shall
8 consider whether the retail seller has done all of the following:

9 (i) Prudently managed portfolio risks, including relying on a
10 sufficient number of viable projects.

11 (ii) Sought to develop one of the following: its own eligible
12 renewable energy resources, transmission to interconnect to eligible
13 renewable energy resources, or energy storage used to integrate
14 eligible renewable energy resources. This clause shall not require
15 an electrical corporation to pursue development of eligible
16 renewable energy resources pursuant to Section 399.14.

17 (iii) Procured an appropriate minimum margin of procurement
18 above the minimum procurement level necessary to comply with
19 the renewables portfolio standard to compensate for foreseeable
20 delays or insufficient supply.

21 (iv) Taken reasonable measures, under the control of the retail
22 seller, to procure cost-effective distributed generation and allowable
23 unbundled renewable energy credits.

24 (C) Unanticipated curtailment of eligible renewable energy
25 resources necessary to address the needs of a balancing authority.

26 (6) If the commission waives the compliance requirements of
27 this section, the commission shall establish additional reporting
28 requirements on the retail seller to demonstrate that all reasonable
29 actions under the control of the retail seller are taken in each of
30 the intervening years sufficient to satisfy future procurement
31 requirements.

32 (7) The commission shall not waive enforcement pursuant to
33 this section, unless the retail seller demonstrates that it has taken
34 all reasonable actions under its control, as set forth in paragraph
35 (5), to achieve full compliance.

36 (8) If a retail seller fails to procure sufficient eligible renewable
37 energy resources to comply with a procurement requirement
38 pursuant to paragraphs (1) and (2) and fails to obtain an order from
39 the commission waiving enforcement pursuant to paragraph (5),

1 the commission shall exercise its authority pursuant to Section
2 2113.

3 (9) Deficits associated with the compliance period shall not be
4 added to a future compliance period.

5 (c) The commission shall establish a limitation for each electrical
6 corporation on the procurement expenditures for all eligible
7 renewable energy resources used to comply with the renewables
8 portfolio standard. In establishing this limitation, the commission
9 shall rely on the following:

10 (1) The most recent renewable energy procurement plan.

11 (2) Procurement expenditures that approximate the expected
12 cost of building, owning, and operating eligible renewable energy
13 resources.

14 (3) The potential that some planned resource additions may be
15 delayed or canceled.

16 (d) In developing the limitation pursuant to subdivision (c), the
17 commission shall ensure all of the following:

18 (1) The limitation is set at a level that prevents disproportionate
19 rate impacts.

20 (2) The costs of all procurement credited toward achieving the
21 renewables portfolio standard are counted towards the limitation.

22 (3) Procurement expenditures do not include any indirect
23 expenses, including imbalance energy charges, sale of excess
24 energy, decreased generation from existing resources, transmission
25 upgrades, or the costs associated with relicensing any utility-owned
26 hydroelectric facilities.

27 (e) (1) No later than January 1, 2016, the commission shall
28 prepare a report to the Legislature assessing whether each electrical
29 corporation can achieve a 33-percent renewables portfolio standard
30 by December 31, 2020, and maintain that level thereafter, within
31 the adopted cost limitations. If the commission determines that it
32 is necessary to change the limitation for procurement costs incurred
33 by any electrical corporation after that date, it may propose a
34 revised cap consistent with the criteria in subdivisions (c) and (d).
35 The proposed modifications shall take effect no earlier than January
36 1, 2017.

37 (2) Notwithstanding Section 10231.5 of the Government Code,
38 the requirement for submitting a report imposed under paragraph
39 (1) is inoperative on January 1, 2021.

(3) A report to be submitted pursuant to paragraph (1) shall be submitted in compliance with Section 9795 of the Government Code.

(f) If the cost limitation for an electrical corporation is insufficient to support the projected costs of meeting the renewables portfolio standard procurement requirements, the electrical corporation may refrain from entering into new contracts or constructing facilities beyond the quantity that can be procured within the limitation, unless eligible renewable energy resources can be procured without exceeding a de minimis increase in rates, consistent with the long-term procurement plan established for the electrical corporation pursuant to Section 454.5.

(g) (1) The commission shall monitor the status of the cost limitation for each electrical corporation in order to ensure compliance with this article.

(2) If the commission determines that an electrical corporation may exceed its cost limitation prior to achieving the renewables portfolio standard procurement requirements, the commission shall do both of the following within 60 days of making that determination:

(A) Investigate and identify the reasons why the electrical corporation may exceed its annual cost limitation.

(B) Notify the appropriate policy and fiscal committees of the Legislature that the electrical corporation may exceed its cost limitation, and include the reasons why the electrical corporation may exceed its cost limitation.

(h) The establishment of a renewables portfolio standard shall not constitute implementation by the commission of the federal Public Utility Regulatory Policies Act of 1978 (Public Law 95-617).

~~SEC. 2.~~

SEC. 3. Section 739.1 of the Public Utilities Code is amended to read:

739.1. (a) The commission shall continue a program of assistance to low-income electric and gas customers with annual household incomes that are no greater than 200 percent of the federal poverty guideline levels, the cost of which shall not be borne solely by any single class of customer. For one-person households, program eligibility shall be based on two-person household guideline levels. The program shall be referred to as

1 the California Alternate Rates for Energy or CARE program. The
2 commission shall ensure that the level of discount for low-income
3 electric and gas customers correctly reflects the level of need.

4 (b) The commission shall establish rates for CARE program
5 participants, subject to both of the following:

6 (1) That the commission ensure that low-income ratepayers are
7 not jeopardized or overburdened by monthly energy expenditures,
8 pursuant to subdivision (b) of Section 382.

9 (2) That the level of the discount for low-income electricity and
10 gas ratepayers correctly reflects the level of need as determined
11 by the needs assessment conducted pursuant to subdivision (d) of
12 Section 382.

13 (c) In establishing CARE discounts for an electrical corporation
14 with 100,000 or more customer accounts in California, the
15 commission shall ensure all of the following:

16 (1) The average effective CARE discount shall not be less than
17 30 percent or more than 35 percent of the revenues that would
18 have been produced for the same billed usage by non-CARE
19 customers. The average effective discount determined by the
20 commission shall reflect any charges not paid by CARE customers,
21 including payments for the California Solar Initiative, payments
22 for the self-generation incentive program made pursuant to Section
23 379.6, payment of the separate rate component to fund the CARE
24 program made pursuant to subdivision (a) of Section 381, payments
25 made to the Department of Water Resources pursuant to Division
26 27 (commencing with Section 80000) of the Water Code, and any
27 discount in a fixed charge. The average effective CARE discount
28 shall be calculated as a weighted average of the CARE discounts
29 provided to individual customers.

30 (2) If an electrical corporation provides an average effective
31 CARE discount in excess of the maximum percentage specified
32 in paragraph (1), the electrical corporation shall not reduce, on an
33 annual basis, the average effective CARE discount by more than
34 a reasonable percentage decrease below the discount in effect on
35 January 1, 2013, or that the electrical corporation had been
36 authorized to place in effect by that date.

37 (3) The entire discount shall be provided in the form of a
38 reduction in the overall bill for the eligible CARE customer.

39 (d) The commission shall work with electrical and gas
40 corporations to establish penetration goals. The commission shall

1 authorize recovery of all administrative costs associated with the
2 implementation of the CARE program that the commission
3 determines to be reasonable, through a balancing account
4 mechanism. Administrative costs shall include, but are not limited
5 to, outreach, marketing, regulatory compliance, certification and
6 verification, billing, measurement and evaluation, and capital
7 improvements and upgrades to communications and processing
8 equipment.

9 (e) The commission shall examine methods to improve CARE
10 enrollment and participation. This examination shall include, but
11 need not be limited to, comparing information from CARE and
12 the Universal Lifeline Telephone Service (ULTS) to determine
13 the most effective means of utilizing that information to increase
14 CARE enrollment, automatic enrollment of ULTS customers who
15 are eligible for the CARE program, customer privacy issues, and
16 alternative mechanisms for outreach to potential enrollees. The
17 commission shall ensure that a customer consents prior to
18 enrollment. The commission shall consult with interested parties,
19 including ULTS providers, to develop the best methods of
20 informing ULTS customers about other available low-income
21 programs, as well as the best mechanism for telephone providers
22 to recover reasonable costs incurred pursuant to this section.

23 (f) (1) The commission shall improve the CARE application
24 process by cooperating with other entities and representatives of
25 California government, including the California Health and Human
26 Services Agency and the Secretary of California Health and Human
27 Services, to ensure that all gas and electric customers eligible for
28 public assistance programs in California that reside within the
29 service territory of an electrical corporation or gas corporation,
30 are enrolled in the CARE program. The commission may determine
31 that gas and electric customers are categorically eligible for CARE
32 assistance if they are enrolled in other public assistance programs
33 with substantially the same income eligibility requirements as the
34 CARE program. To the extent practicable, the commission shall
35 develop a CARE application process using the existing ULTS
36 application process as a model. The commission shall work with
37 electrical and gas corporations and the Low-Income Oversight
38 Board established in Section 382.1 to meet the low-income
39 objectives in this section.

1 (2) The commission shall ensure that an electrical corporation
2 or gas corporation with a commission-approved program to provide
3 discounts based upon economic need in addition to the CARE
4 program, including a Family Electric Rate Assistance program,
5 utilize a single application form, to enable an applicant to
6 alternatively apply for any assistance program for which the
7 applicant may be eligible. It is the intent of the Legislature to allow
8 applicants under one program, that may not be eligible under that
9 program, but that may be eligible under an alternative assistance
10 program based upon economic need, to complete a single
11 application for any commission-approved assistance program
12 offered by the public utility.

13 (g) It is the intent of the Legislature that the commission ensure
14 CARE program participants receive affordable electric and gas
15 service that does not impose an unfair economic burden on those
16 participants.

17 (h) The commission's program of assistance to low-income
18 electric and gas customers shall, as soon as practicable, include
19 nonprofit group living facilities specified by the commission, if
20 the commission finds that the residents in these facilities
21 substantially meet the commission's low-income eligibility
22 requirements and there is a feasible process for certifying that the
23 assistance shall be used for the direct benefit, such as improved
24 quality of care or improved food service, of the low-income
25 residents in the facilities. The commission shall authorize utilities
26 to offer discounts to eligible facilities licensed or permitted by
27 appropriate state or local agencies, and to facilities, including
28 women's shelters, hospices, and homeless shelters, that may not
29 have a license or permit but provide other proof satisfactory to the
30 utility that they are eligible to participate in the program.

31 (i) (1) In addition to existing assessments of eligibility, an
32 electrical corporation may require proof of income eligibility for
33 those CARE program participants whose electricity usage, in any
34 monthly or other billing period, exceeds 400 percent of baseline
35 usage. The authority of an electrical corporation to require proof
36 of income eligibility is not limited by the means by which the
37 CARE program participant enrolled in the program, including if
38 the participant was automatically enrolled in the CARE program
39 because of participation in a governmental assistance program. If
40 a CARE program participant's electricity usage exceeds 400

1 percent of baseline usage, the electrical corporation may require
2 the CARE program participant to participate in the Energy Savings
3 Assistance Program (ESAP), which includes a residential energy
4 assessment, in order to provide the CARE program participant
5 with information and assistance in reducing his or her energy usage.
6 Continued participation in the CARE program may be conditioned
7 upon the CARE program participant agreeing to participate in
8 ESAP within 45 days of notice being given by the electrical
9 corporation pursuant to this paragraph. The electrical corporation
10 may require the CARE program participant to notify the utility of
11 whether the residence is rented, and if so, a means by which to
12 contact the landlord, and the electrical corporation may share any
13 evaluation and recommendation relative to the residential structure
14 that is made as part of an energy assessment, with the landlord of
15 the CARE program participant. Requirements imposed pursuant
16 to this paragraph shall be consistent with procedures adopted by
17 the commission.

18 (2) If a CARE program participant's electricity usage exceeds
19 600 percent of baseline usage, the electrical corporation shall
20 require the CARE program participant to participate in ESAP,
21 which includes a residential energy assessment, in order to provide
22 the CARE program participant with information and assistance in
23 reducing his or her energy usage. Continued participation in the
24 CARE program shall be conditioned upon the CARE program
25 participant agreeing to participate in ESAP within 45 days of a
26 notice made by the electrical corporation pursuant to this paragraph.
27 The electrical corporation may require the CARE program
28 participant to notify the utility of whether the residence is rented,
29 and if so, a means by which to contact the landlord, and the
30 electrical corporation may share any evaluation and
31 recommendation relative to the residential structure that is made
32 as part of an energy assessment, with the landlord of the CARE
33 program participant. Following the completion of the energy
34 assessment, if the CARE program participant's electricity usage
35 continues to exceed 600 percent of baseline usage, the electrical
36 corporation may remove the CARE program participant from the
37 program if the removal is consistent with procedures adopted by
38 the commission. Nothing in this paragraph shall prevent a CARE
39 program participant with electricity usage exceeding 600 percent
40 of baseline usage from participating in an appeals process with the

1 electrical corporation to determine whether the participant's usage
2 levels are legitimate.

3 (3) A CARE program participant in a rental residence shall not
4 be removed from the program in situations where the landlord is
5 nonresponsive when contacted by the electrical corporation or
6 does not provide for ESAP participation.

7 ~~SEC. 3.~~

8 *SEC. 4.* Section 739.9 of the Public Utilities Code is repealed.

9 ~~SEC. 4.~~

10 *SEC. 5.* Section 739.9 is added to the Public Utilities Code, to
11 read:

12 739.9. (a) "Fixed charge" means any fixed customer charge,
13 basic service fee, demand differentiated basic service fee, demand
14 charge, or other charge not based upon the volume of electricity
15 consumed.

16 (b) Increases to electrical rates and charges in rate design
17 proceedings, including any reduction in the California Alternate
18 Rates for Energy (CARE) discount, shall be reasonable and subject
19 to a reasonable phase-in schedule relative to the rates and charges
20 in effect prior to January 1, 2014.

21 (c) Except as provided in subdivision (c) of Section 745, the
22 commission shall require each electrical corporation to offer default
23 rates to residential customers with at least two usage tiers. The
24 first tier shall include electricity usage of no less than the baseline
25 quantity established pursuant to paragraph (1) of subdivision (d)
26 of Section 739.

27 (d) Consistent with the requirements of Section 739, the
28 commission may modify the seasonal definitions and applicable
29 percentage of average consumption for one or more climatic zones.

30 (e) The commission may adopt new, or expand existing, fixed
31 charges for the purpose of collecting a reasonable portion of the
32 fixed costs of providing electric service to residential customers.
33 The commission shall ensure that any approved charges do all of
34 the following:

35 (1) Reasonably reflect an appropriate portion of the different
36 costs of serving small and large customers.

37 (2) Not unreasonably impair incentives for conservation and
38 energy efficiency.

39 (3) Not overburden low-income customers.

(f) For the purposes of this section and Section 739.1, the commission may, *beginning January 1, 2015*, authorize fixed charges that do not exceed ten dollars (\$10) per residential customer account per month for customers not enrolled in the CARE program and five dollars (\$5) per residential customer account per month for customers enrolled in the CARE program. ~~Beginning January 1, 2015~~ *2016*, the maximum allowable fixed charge may be adjusted by no more than the annual percentage increase in the Consumer Price Index or the prior calendar year. This subdivision applies to any default rate schedule, at least one optional tiered rate schedule, and at least one optional time variant rate schedule.

(g) This section does not require the commission to approve any new or expanded fixed charge.

(h) The commission may consider whether minimum bills are appropriate as a substitute for any fixed charges.

~~SEC. 5.~~

SEC. 6. Section 745 of the Public Utilities Code is repealed.

~~SEC. 6.~~

SEC. 7. Section 745 is added to the Public Utilities Code, to read:

745. (a) For purposes of this section, “time-variant pricing” includes time-of-use rates, critical peak pricing, and real-time pricing, but does not include programs that provide customers with discounts from standard tariff rates as an incentive to reduce consumption at certain times, including peak time rebates.

(b) The commission may authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. The commission shall not establish a mandatory or default time-variant pricing tariff for any residential customer except as authorized in subdivision (c).

(c) Beginning January 1, 2018, the commission may require or authorize an electrical corporation to employ default time-of-use pricing for residential customers subject to all of the following:

(1) Residential customers receiving a medical baseline allowance pursuant to subdivision (c) of Section 739, customers requesting third-party notification pursuant to subdivision (c) of Section 779.1, customers who the commission has ordered cannot be disconnected from service without an in-person visit from a utility representative

1 (Decision 12-03-054 (March 22, 2012), Decision on Phase II
2 Issues: Adoption of Practices to Reduce the Number of Gas and
3 Electric Service Disconnections, Order 2 (b) at page 55), and other
4 customers designated by the commission in its discretion shall not
5 be subject to default time-of-use pricing without their affirmative
6 consent.

7 (2) The commission shall ensure that any time-of-use rate
8 schedule does not cause unreasonable hardship for senior citizens
9 or economically vulnerable customers in hot climate zones.

10 (3) The commission shall strive for time-of-use rate schedules
11 that utilize time periods that are appropriate for at least the
12 following five years.

13 (4) A residential customer shall not be subject to a default
14 time-of-use rate schedule unless that residential customer has been
15 provided with not less than one year of interval usage data from
16 an advanced meter and associated customer education and,
17 following the passage of this period, is provided with no less than
18 one year of bill protection during which the total amount paid by
19 the residential customer for electric service shall not exceed the
20 amount that would have been payable by the residential customer
21 under that customer's previous rate schedule.

22 (5) Each electrical corporation shall provide each residential
23 customer, not less than once per year, using a reasonable delivery
24 method of the customer's choosing, a summary of available tariff
25 options with a calculation of expected annual bill impacts under
26 each available tariff. The summary shall not be provided to
27 customers who notify the utility that they choose not to receive
28 the summary. The reasonable costs of providing this service shall
29 be recovered in rates.

30 (6) Residential customers have the option to not receive service
31 pursuant to a time-of-use rate schedule and incur no additional
32 charges as a result of the exercise of that option. Prohibited charges
33 include, but are not limited to, administrative fees for switching
34 away from time-of-use pricing, hedging premiums that exceed any
35 actual costs of hedging, and more than a proportional share of any
36 discounts or other incentives paid to customers to increase
37 participation in time-of-use pricing. This prohibition on additional
38 charges is not intended to ensure that a customer will necessarily
39 experience a lower total bill as a result of the exercise of the option
40 to not receive service pursuant to a time-of-use rate schedule.

SEC. 8. Section 2827 of the Public Utilities Code is amended to read:

2827. (a) The Legislature finds and declares that a program to provide net energy metering combined with net surplus compensation, co-energy metering, and wind energy co-metering for eligible customer-generators is one way to encourage substantial private investment in renewable energy resources, stimulate in-state economic growth, reduce demand for electricity during peak consumption periods, help stabilize California's energy supply infrastructure, enhance the continued diversification of California's energy resource mix, reduce interconnection and administrative costs for electricity suppliers, and encourage conservation and efficiency.

(b) As used in this section, the following terms have the following meanings:

(1) "Co-energy metering" means a program that is the same in all other respects as a net energy metering program, except that the local publicly owned electric utility has elected to apply a generation-to-generation energy and time-of-use credit formula as provided in subdivision (i).

(2) "Electrical cooperative" means an electrical cooperative as defined in Section 2776.

(3) "Electric utility" means an electrical corporation, a local publicly owned electric utility, or an electrical cooperative, or any other entity, except an electric service provider, that offers electrical service. This section shall not apply to a local publicly owned electric utility that serves more than 750,000 customers and that also conveys water to its customers.

(4) "Eligible customer-generator" means a residential customer, small commercial customer as defined in subdivision (h) of Section 331, or commercial, industrial, or agricultural customer of an electric utility, who uses a renewable electrical generation facility, or a combination of those facilities, with a total capacity of not more than one megawatt, that is located on the customer's owned, leased, or rented premises, and is interconnected and operates in parallel with the electrical grid, and is intended primarily to offset part or all of the customer's own electrical requirements.

(5) ~~"Renewable—"~~*Large* ~~electrical—generation—facility"~~
~~corporation"~~ means ~~a facility that generates electricity from a~~
~~renewable source listed in paragraph (1) of subdivision (a) of~~

1 ~~Section 25741 of the Public Resources Code. A small hydroelectric~~
2 ~~generation facility is not an eligible renewable electrical generation~~
3 ~~facility if it will cause an adverse impact on instream beneficial~~
4 ~~uses or cause a change~~ *corporation with more than 100,000 service*
5 ~~connections in the volume or timing of streamflow. California.~~

6 (6) “Net energy metering” means measuring the difference
7 between the electricity supplied through the electrical grid and the
8 electricity generated by an eligible customer-generator and fed
9 back to the electrical grid over a 12-month period as described in
10 subdivisions (c) and (h).

11 (7) “Net surplus customer-generator” means an eligible
12 customer-generator that generates more electricity during a
13 12-month period than is supplied by the electric utility to the
14 eligible customer-generator during the same 12-month period.

15 (8) “Net surplus electricity” means all electricity generated by
16 an eligible customer-generator measured in kilowatthours over a
17 12-month period that exceeds the amount of electricity consumed
18 by that eligible customer-generator.

19 (9) “Net surplus electricity compensation” means a per
20 kilowatthour rate offered by the electric utility to the net surplus
21 customer-generator for net surplus electricity that is set by the
22 ratemaking authority pursuant to subdivision (h).

23 (10) “Ratemaking authority” means, for an electrical
24 corporation, the commission, for an electrical cooperative, its
25 ratesetting body selected by its shareholders or members, and for
26 a local publicly owned electric utility, the local elected body
27 responsible for setting the rates of the local publicly owned utility.

28 (11) *“Renewable electrical generation facility” means a facility*
29 *that generates electricity from a renewable source listed in*
30 *paragraph (1) of subdivision (a) of Section 25741 of the Public*
31 *Resources Code. A small hydroelectric generation facility is not*
32 *an eligible renewable electrical generation facility if it will cause*
33 *an adverse impact on instream beneficial uses or cause a change*
34 *in the volume or timing of streamflow.*

35 ~~(11)~~

36 (12) “Wind energy co-metering” means any wind energy project
37 greater than 50 kilowatts, but not exceeding one megawatt, where
38 the difference between the electricity supplied through the electrical
39 grid and the electricity generated by an eligible customer-generator
40 and fed back to the electrical grid over a 12-month period is as

1 described in subdivision (h). Wind energy co-metering shall be
2 accomplished pursuant to Section 2827.8.

3 (c) (1) ~~Every~~ *Except as provided in paragraph (4) and in*
4 *Section 2827.1, every* electric utility shall develop a standard
5 contract or tariff providing for net energy metering, and shall make
6 this standard contract or tariff available to eligible
7 customer-generators, upon request, on a first-come-first-served
8 basis until the time that the total rated generating capacity used by
9 eligible customer-generators exceeds 5 percent of the electric
10 utility's aggregate customer peak demand. Net energy metering
11 shall be accomplished using a single meter capable of registering
12 the flow of electricity in two directions. An additional meter or
13 meters to monitor the flow of electricity in each direction may be
14 installed with the consent of the eligible customer-generator, at
15 the expense of the electric utility, and the additional metering shall
16 be used only to provide the information necessary to accurately
17 bill or credit the eligible customer-generator pursuant to subdivision
18 (h), or to collect generating system performance information for
19 research purposes relative to a renewable electrical generation
20 facility. If the existing electrical meter of an eligible
21 customer-generator is not capable of measuring the flow of
22 electricity in two directions, the eligible customer-generator shall
23 be responsible for all expenses involved in purchasing and
24 installing a meter that is able to measure electricity flow in two
25 directions. If an additional meter or meters are installed, the net
26 energy metering calculation shall yield a result identical to that of
27 a single meter. An eligible customer-generator that is receiving
28 service other than through the standard contract or tariff may elect
29 to receive service through the standard contract or tariff until the
30 electric utility reaches the generation limit set forth in this
31 paragraph. Once the generation limit is reached, only eligible
32 customer-generators that had previously elected to receive service
33 pursuant to the standard contract or tariff have a right to continue
34 to receive service pursuant to the standard contract or tariff.
35 Eligibility for net energy metering does not limit an eligible
36 customer-generator's eligibility for any other rebate, incentive, or
37 credit provided by the electric utility, or pursuant to any
38 governmental program, including rebates and incentives provided
39 pursuant to the California Solar Initiative.

1 (2) An electrical corporation shall include a provision in the net
2 energy metering contract or tariff requiring that any customer with
3 an existing electrical generating facility and meter who enters into
4 a new net energy metering contract shall provide an inspection
5 report to the electrical corporation, unless the electrical generating
6 facility and meter have been installed or inspected within the
7 previous three years. The inspection report shall be prepared by a
8 California licensed contractor who is not the owner or operator of
9 the facility and meter. A California licensed electrician shall
10 perform the inspection of the electrical portion of the facility and
11 meter.

12 (3) (A) On an annual basis, every electric utility shall make
13 available to the ratemaking authority information on the total rated
14 generating capacity used by eligible customer-generators that are
15 customers of that provider in the provider's service area and the
16 net surplus electricity purchased by the electric utility pursuant to
17 this section.

18 (B) An electric service provider operating pursuant to Section
19 394 shall make available to the ratemaking authority the
20 information required by this paragraph for each eligible
21 customer-generator that is their customer for each service area of
22 an electrical corporation, local publicly owned electrical utility,
23 or electrical cooperative, in which the eligible customer-generator
24 has net energy metering.

25 (C) The ratemaking authority shall develop a process for making
26 the information required by this paragraph available to electric
27 utilities, and for using that information to determine when, pursuant
28 to paragraphs (1) and (4), an electric utility is not obligated to
29 provide net energy metering to additional eligible
30 customer-generators in its service area.

31 (4) (A) An electric utility *that is not a large electrical*
32 *corporation is not* obligated to provide net energy metering to
33 additional eligible customer-generators in its service area when
34 the combined total peak demand of all electricity used by eligible
35 customer-generators served by all the electric utilities in that
36 service area furnishing net energy metering to eligible
37 customer-generators exceeds 5 percent of the aggregate customer
38 peak demand of those electric utilities.

39 (B) *A large electrical corporation shall, continuously and*
40 *without interruption, provide net energy metering to additional*

1 *eligible customer-generators in its service area through December*
2 *31, 2016, or until the utility has made the following amount of*
3 *capacity available, whichever occurs first:*

4 *(i) For San Diego Gas and Electric Company, when it has made*
5 *607 megawatts of nameplate generating capacity available to*
6 *eligible customer-generators.*

7 *(ii) For Southern California Edison Company, when it has made*
8 *2,240 megawatts of nameplate generating capacity available to*
9 *eligible customer-generators.*

10 *(iii) For Pacific Gas and Electric Company, when it has made*
11 *2,409 megawatts of nameplate generating capacity available to*
12 *eligible customer-generators.*

13 *(C) Beginning January 1, 2017, or upon reaching the capacity*
14 *limitations of subparagraph (B), the obligation of a large electrical*
15 *corporation to provide service pursuant to a standard contract or*
16 *tariff shall be pursuant to Section 2827.1.*

17 *(5) An eligible customer-generator receiving service under a*
18 *net energy metering standard contract or tariff with a large*
19 *electrical corporation, pursuant to this section, shall continue to*
20 *be eligible for service pursuant to that contract or tariff until*
21 *December 31, 2020. Beginning January 1, 2017, the standard*
22 *contract or tariff eligibility shall not transfer with a change in*
23 *customer or ownership of the renewable electrical generation*
24 *facility.*

25 *(d) Every electric utility shall make all necessary forms and*
26 *contracts for net energy metering and net surplus electricity*
27 *compensation service available for download from the Internet.*

28 *(e) (1) Every electric utility shall ensure that requests for*
29 *establishment of net energy metering and net surplus electricity*
30 *compensation are processed in a time period not exceeding that*
31 *for similarly situated customers requesting new electric service,*
32 *but not to exceed 30 working days from the date it receives a*
33 *completed application form for net energy metering service or net*
34 *surplus electricity compensation, including a signed interconnection*
35 *agreement from an eligible customer-generator and the electric*
36 *inspection clearance from the governmental authority having*
37 *jurisdiction.*

38 *(2) Every electric utility shall ensure that requests for an*
39 *interconnection agreement from an eligible customer-generator*
40 *are processed in a time period not to exceed 30 working days from*

1 the date it receives a completed application form from the eligible
2 customer-generator for an interconnection agreement.

3 (3) If an electric utility is unable to process a request within the
4 allowable timeframe pursuant to paragraph (1) or (2), it shall notify
5 the eligible customer-generator and the ratemaking authority of
6 the reason for its inability to process the request and the expected
7 completion date.

8 (f) (1) If a customer participates in direct transactions pursuant
9 to paragraph (1) of subdivision (b) of Section 365, or Section 365.1,
10 with an electric service provider that does not provide distribution
11 service for the direct transactions, the electric utility that provides
12 distribution service for the eligible customer-generator is not
13 obligated to provide net energy metering or net surplus electricity
14 compensation to the customer.

15 (2) If a customer participates in direct transactions pursuant to
16 paragraph (1) of subdivision (b) of Section 365 with an electric
17 service provider, and the customer is an eligible
18 customer-generator, the electric utility that provides distribution
19 service for the direct transactions may recover from the customer's
20 electric service provider the incremental costs of metering and
21 billing service related to net energy metering and net surplus
22 electricity compensation in an amount set by the ratemaking
23 authority.

24 (g) Except for the time-variant kilowatthour pricing portion of
25 any tariff adopted by the commission pursuant to paragraph (4) of
26 subdivision (a) of Section 2851, each net energy metering contract
27 or tariff shall be identical, with respect to rate structure, all retail
28 rate components, and any monthly charges, to the contract or tariff
29 to which the same customer would be assigned if the customer did
30 not use a renewable electrical generation facility, except that
31 eligible customer-generators shall not be assessed standby charges
32 on the electrical generating capacity or the kilowatthour production
33 of a renewable electrical generation facility. The charges for all
34 retail rate components for eligible customer-generators shall be
35 based exclusively on the customer-generator's net kilowatthour
36 consumption over a 12-month period, without regard to the eligible
37 customer-generator's choice as to from whom it purchases
38 electricity that is not self-generated. Any new or additional demand
39 charge, standby charge, customer charge, minimum monthly
40 charge, interconnection charge, or any other charge that would

1 increase an eligible customer-generator's costs beyond those of
2 other customers who are not eligible customer-generators in the
3 rate class to which the eligible customer-generator would otherwise
4 be assigned if the customer did not own, lease, rent, or otherwise
5 operate a renewable electrical generation facility is contrary to the
6 intent of this section, and shall not form a part of net energy
7 metering contracts or tariffs.

8 (h) For eligible customer-generators, the net energy metering
9 calculation shall be made by measuring the difference between
10 the electricity supplied to the eligible customer-generator and the
11 electricity generated by the eligible customer-generator and fed
12 back to the electrical grid over a 12-month period. The following
13 rules shall apply to the annualized net metering calculation:

14 (1) The eligible residential or small commercial
15 customer-generator, at the end of each 12-month period following
16 the date of final interconnection of the eligible
17 customer-generator's system with an electric utility, and at each
18 anniversary date thereafter, shall be billed for electricity used
19 during that 12-month period. The electric utility shall determine
20 if the eligible residential or small commercial customer-generator
21 was a net consumer or a net surplus customer-generator during
22 that period.

23 (2) At the end of each 12-month period, where the electricity
24 supplied during the period by the electric utility exceeds the
25 electricity generated by the eligible residential or small commercial
26 customer-generator during that same period, the eligible residential
27 or small commercial customer-generator is a net electricity
28 consumer and the electric utility shall be owed compensation for
29 the eligible customer-generator's net kilowatthour consumption
30 over that 12-month period. The compensation owed for the eligible
31 residential or small commercial customer-generator's consumption
32 shall be calculated as follows:

33 (A) For all eligible customer-generators taking service under
34 contracts or tariffs employing "baseline" and "over baseline" rates,
35 any net monthly consumption of electricity shall be calculated
36 according to the terms of the contract or tariff to which the same
37 customer would be assigned to, or be eligible for, if the customer
38 was not an eligible customer-generator. If those same
39 customer-generators are net generators over a billing period, the
40 net kilowatthours generated shall be valued at the same price per

1 kilowatthour as the electric utility would charge for the baseline
2 quantity of electricity during that billing period, and if the number
3 of kilowatthours generated exceeds the baseline quantity, the excess
4 shall be valued at the same price per kilowatthour as the electric
5 utility would charge for electricity over the baseline quantity during
6 that billing period.

7 (B) For all eligible customer-generators taking service under
8 contracts or tariffs employing time-of-use rates, any net monthly
9 consumption of electricity shall be calculated according to the
10 terms of the contract or tariff to which the same customer would
11 be assigned, or be eligible for, if the customer was not an eligible
12 customer-generator. When those same customer-generators are
13 net generators during any discrete time-of-use period, the net
14 kilowatthours produced shall be valued at the same price per
15 kilowatthour as the electric utility would charge for retail
16 kilowatthour sales during that same time-of-use period. If the
17 eligible customer-generator's time-of-use electrical meter is unable
18 to measure the flow of electricity in two directions, paragraph (1)
19 of subdivision (c) shall apply.

20 (C) For all eligible residential and small commercial
21 customer-generators and for each billing period, the net balance
22 of moneys owed to the electric utility for net consumption of
23 electricity or credits owed to the eligible customer-generator for
24 net generation of electricity shall be carried forward as a monetary
25 value until the end of each 12-month period. For all eligible
26 commercial, industrial, and agricultural customer-generators, the
27 net balance of moneys owed shall be paid in accordance with the
28 electric utility's normal billing cycle, except that if the eligible
29 commercial, industrial, or agricultural customer-generator is a net
30 electricity producer over a normal billing cycle, any excess
31 kilowatthours generated during the billing cycle shall be carried
32 over to the following billing period as a monetary value, calculated
33 according to the procedures set forth in this section, and appear as
34 a credit on the eligible commercial, industrial, or agricultural
35 customer-generator's account, until the end of the annual period
36 when paragraph (3) shall apply.

37 (3) At the end of each 12-month period, where the electricity
38 generated by the eligible customer-generator during the 12-month
39 period exceeds the electricity supplied by the electric utility during
40 that same period, the eligible customer-generator is a net surplus

1 customer-generator and the electric utility, upon an affirmative
2 election by the net surplus customer-generator, shall either (A)
3 provide net surplus electricity compensation for any net surplus
4 electricity generated during the prior 12-month period, or (B) allow
5 the net surplus customer-generator to apply the net surplus
6 electricity as a credit for kilowatthours subsequently supplied by
7 the electric utility to the net surplus customer-generator. For an
8 eligible customer-generator that does not affirmatively elect to
9 receive service pursuant to net surplus electricity compensation,
10 the electric utility shall retain any excess kilowatthours generated
11 during the prior 12-month period. The eligible customer-generator
12 not affirmatively electing to receive service pursuant to net surplus
13 electricity compensation shall not be owed any compensation for
14 the net surplus electricity unless the electric utility enters into a
15 purchase agreement with the eligible customer-generator for those
16 excess kilowatthours. Every electric utility shall provide notice to
17 eligible customer-generators that they are eligible to receive net
18 surplus electricity compensation for net surplus electricity, that
19 they must elect to receive net surplus electricity compensation,
20 and that the 12-month period commences when the electric utility
21 receives the eligible customer-generator's election. For an electric
22 utility that is an electrical corporation or electrical cooperative,
23 the commission may adopt requirements for providing notice and
24 the manner by which eligible customer-generators may elect to
25 receive net surplus electricity compensation.

26 (4) (A) An eligible customer-generator with multiple meters
27 may elect to aggregate the electrical load of the meters located on
28 the property where the renewable electrical generation facility is
29 located and on all property adjacent or contiguous to the property
30 on which the renewable electrical generation facility is located, if
31 those properties are solely owned, leased, or rented by the eligible
32 customer-generator. If the eligible customer-generator elects to
33 aggregate the electric load pursuant to this paragraph, the electric
34 utility shall use the aggregated load for the purpose of determining
35 whether an eligible customer-generator is a net consumer or a net
36 surplus customer-generator during a 12-month period.

37 (B) If an eligible customer-generator chooses to aggregate
38 pursuant to subparagraph (A), the eligible customer-generator shall
39 be permanently ineligible to receive net surplus electricity
40 compensation, and the electric utility shall retain any kilowatthours

1 in excess of the eligible customer-generator's aggregated electrical
2 load generated during the 12-month period.

3 (C) If an eligible customer-generator with multiple meters elects
4 to aggregate the electrical load of those meters pursuant to
5 subparagraph (A), and different rate schedules are applicable to
6 service at any of those meters, the electricity generated by the
7 renewable electrical generation facility shall be allocated to each
8 of the meters in proportion to the electrical load served by those
9 meters. For example, if the eligible customer-generator receives
10 electric service through three meters, two meters being at an
11 agricultural rate that each provide service to 25 percent of the
12 customer's total load, and a third meter, at a commercial rate, that
13 provides service to 50 percent of the customer's total load, then
14 50 percent of the electrical generation of the eligible renewable
15 generation facility shall be allocated to the third meter that provides
16 service at the commercial rate and 25 percent of the generation
17 shall be allocated to each of the two meters providing service at
18 the agricultural rate. This proportionate allocation shall be
19 computed each billing period.

20 (D) This paragraph shall not become operative for an electrical
21 corporation unless the commission determines that allowing
22 eligible customer-generators to aggregate their load from multiple
23 meters will not result in an increase in the expected revenue
24 obligations of customers who are not eligible customer-generators.
25 The commission shall make this determination by September 30,
26 2013. In making this determination, the commission shall determine
27 if there are any public purpose or other noncommodity charges
28 that the eligible customer-generators would pay pursuant to the
29 net energy metering program as it exists prior to aggregation, that
30 the eligible customer-generator would not pay if permitted to
31 aggregate the electrical load of multiple meters pursuant to this
32 paragraph.

33 (E) A local publicly owned electric utility or electrical
34 cooperative shall only allow eligible customer-generators to
35 aggregate their load if the utility's ratemaking authority determines
36 that allowing eligible customer-generators to aggregate their load
37 from multiple meters will not result in an increase in the expected
38 revenue obligations of customers that are not eligible
39 customer-generators. The ratemaking authority of a local publicly
40 owned electric utility or electrical cooperative shall make this

1 determination within 180 days of the first request made by an
2 eligible customer-generator to aggregate their load. In making the
3 determination, the ratemaking authority shall determine if there
4 are any public purpose or other noncommodity charges that the
5 eligible customer-generator would pay pursuant to the net energy
6 metering or co-energy metering program of the utility as it exists
7 prior to aggregation, that the eligible customer-generator would
8 not pay if permitted to aggregate the electrical load of multiple
9 meters pursuant to this paragraph. If the ratemaking authority
10 determines that load aggregation will not cause an incremental
11 rate impact on the utility's customers that are not eligible
12 customer-generators, the local publicly owned electric utility or
13 electrical cooperative shall permit an eligible customer-generator
14 to elect to aggregate the electrical load of multiple meters pursuant
15 to this paragraph. The ratemaking authority may reconsider any
16 determination made pursuant to this subparagraph in a subsequent
17 public proceeding.

18 (F) For purposes of this paragraph, parcels that are divided by
19 a street, highway, or public thoroughfare are considered contiguous,
20 provided they are otherwise contiguous and under the same
21 ownership.

22 (G) An eligible customer-generator may only elect to aggregate
23 the electrical load of multiple meters if the renewable electrical
24 generation facility, or a combination of those facilities, has a total
25 generating capacity of not more than one megawatt.

26 (H) Notwithstanding subdivision (g), an eligible
27 customer-generator electing to aggregate the electrical load of
28 multiple meters pursuant to this subdivision shall remit service
29 charges for the cost of providing billing services to the electric
30 utility that provides service to the meters.

31 (5) (A) The ratemaking authority shall establish a net surplus
32 electricity compensation valuation to compensate the net surplus
33 customer-generator for the value of net surplus electricity generated
34 by the net surplus customer-generator. The commission shall
35 establish the valuation in a ratemaking proceeding. The ratemaking
36 authority for a local publicly owned electric utility shall establish
37 the valuation in a public proceeding. The net surplus electricity
38 compensation valuation shall be established so as to provide the
39 net surplus customer-generator just and reasonable compensation
40 for the value of net surplus electricity, while leaving other

1 ratepayers unaffected. The ratemaking authority shall determine
2 whether the compensation will include, where appropriate
3 justification exists, either or both of the following components:

4 (i) The value of the electricity itself.

5 (ii) The value of the renewable attributes of the electricity.

6 (B) In establishing the rate pursuant to subparagraph (A), the
7 ratemaking authority shall ensure that the rate does not result in a
8 shifting of costs between eligible customer-generators and other
9 bundled service customers.

10 (6) (A) Upon adoption of the net surplus electricity
11 compensation rate by the ratemaking authority, any renewable
12 energy credit, as defined in Section 399.12, for net surplus
13 electricity purchased by the electric utility shall belong to the
14 electric utility. Any renewable energy credit associated with
15 electricity generated by the eligible customer-generator that is
16 utilized by the eligible customer-generator shall remain the property
17 of the eligible customer-generator.

18 (B) Upon adoption of the net surplus electricity compensation
19 rate by the ratemaking authority, the net surplus electricity
20 purchased by the electric utility shall count toward the electric
21 utility's renewables portfolio standard annual procurement targets
22 for the purposes of paragraph (1) of subdivision (b) of Section
23 399.15, or for a local publicly owned electric utility, the renewables
24 portfolio standard annual procurement targets established pursuant
25 to Section 387.

26 (7) The electric utility shall provide every eligible residential
27 or small commercial customer-generator with net electricity
28 consumption and net surplus electricity generation information
29 with each regular bill. That information shall include the current
30 monetary balance owed the electric utility for net electricity
31 consumed, or the net surplus electricity generated, since the last
32 12-month period ended. Notwithstanding this subdivision, an
33 electric utility shall permit that customer to pay monthly for net
34 energy consumed.

35 (8) If an eligible residential or small commercial
36 customer-generator terminates the customer relationship with the
37 electric utility, the electric utility shall reconcile the eligible
38 customer-generator's consumption and production of electricity
39 during any part of a 12-month period following the last
40 reconciliation, according to the requirements set forth in this

1 subdivision, except that those requirements shall apply only to the
2 months since the most recent 12-month bill.

3 (9) If an electric service provider or electric utility providing
4 net energy metering to a residential or small commercial
5 customer-generator ceases providing that electric service to that
6 customer during any 12-month period, and the customer-generator
7 enters into a new net energy metering contract or tariff with a new
8 electric service provider or electric utility, the 12-month period,
9 with respect to that new electric service provider or electric utility,
10 shall commence on the date on which the new electric service
11 provider or electric utility first supplies electric service to the
12 customer-generator.

13 (i) Notwithstanding any other provisions of this section,
14 paragraphs (1), (2), and (3) shall apply to an eligible
15 customer-generator with a capacity of more than 10 kilowatts, but
16 not exceeding one megawatt, that receives electric service from a
17 local publicly owned electric utility that has elected to utilize a
18 co-energy metering program unless the local publicly owned
19 electric utility chooses to provide service for eligible
20 customer-generators with a capacity of more than 10 kilowatts in
21 accordance with subdivisions (g) and (h):

22 (1) The eligible customer-generator shall be required to utilize
23 a meter, or multiple meters, capable of separately measuring
24 electricity flow in both directions. All meters shall provide
25 time-of-use measurements of electricity flow, and the customer
26 shall take service on a time-of-use rate schedule. If the existing
27 meter of the eligible customer-generator is not a time-of-use meter
28 or is not capable of measuring total flow of electricity in both
29 directions, the eligible customer-generator shall be responsible for
30 all expenses involved in purchasing and installing a meter that is
31 both time-of-use and able to measure total electricity flow in both
32 directions. This subdivision shall not restrict the ability of an
33 eligible customer-generator to utilize any economic incentives
34 provided by a governmental agency or an electric utility to reduce
35 its costs for purchasing and installing a time-of-use meter.

36 (2) The consumption of electricity from the local publicly owned
37 electric utility shall result in a cost to the eligible
38 customer-generator to be priced in accordance with the standard
39 rate charged to the eligible customer-generator in accordance with
40 the rate structure to which the customer would be assigned if the

1 customer did not use a renewable electrical generation facility.
2 The generation of electricity provided to the local publicly owned
3 electric utility shall result in a credit to the eligible
4 customer-generator and shall be priced in accordance with the
5 generation component, established under the applicable structure
6 to which the customer would be assigned if the customer did not
7 use a renewable electrical generation facility.

8 (3) All costs and credits shall be shown on the eligible
9 customer-generator's bill for each billing period. In any months
10 in which the eligible customer-generator has been a net consumer
11 of electricity calculated on the basis of value determined pursuant
12 to paragraph (2), the customer-generator shall owe to the local
13 publicly owned electric utility the balance of electricity costs and
14 credits during that billing period. In any billing period in which
15 the eligible customer-generator has been a net producer of
16 electricity calculated on the basis of value determined pursuant to
17 paragraph (2), the local publicly owned electric utility shall owe
18 to the eligible customer-generator the balance of electricity costs
19 and credits during that billing period. Any net credit to the eligible
20 customer-generator of electricity costs may be carried forward to
21 subsequent billing periods, provided that a local publicly owned
22 electric utility may choose to carry the credit over as a kilowatt-hour
23 credit consistent with the provisions of any applicable contract or
24 tariff, including any differences attributable to the time of
25 generation of the electricity. At the end of each 12-month period,
26 the local publicly owned electric utility may reduce any net credit
27 due to the eligible customer-generator to zero.

28 (j) A renewable electrical generation facility used by an eligible
29 customer-generator shall meet all applicable safety and
30 performance standards established by the National Electrical Code,
31 the Institute of Electrical and Electronics Engineers, and accredited
32 testing laboratories, including Underwriters Laboratories
33 Incorporated and, where applicable, rules of the commission
34 regarding safety and reliability. A customer-generator whose
35 renewable electrical generation facility meets those standards and
36 rules shall not be required to install additional controls, perform
37 or pay for additional tests, or purchase additional liability
38 insurance.

39 (k) If the commission determines that there are cost or revenue
40 obligations for an electrical corporation that may not be recovered

1 from customer-generators acting pursuant to this section, those
2 obligations shall remain within the customer class from which any
3 shortfall occurred and shall not be shifted to any other customer
4 class. Net energy metering and co-energy metering customers shall
5 not be exempt from the public goods charges imposed pursuant to
6 Article 7 (commencing with Section 381), Article 8 (commencing
7 with Section 385), or Article 15 (commencing with Section 399)
8 of Chapter 2.3 of Part 1.

9 (l) A net energy metering, co-energy metering, or wind energy
10 co-metering customer shall reimburse the Department of Water
11 Resources for all charges that would otherwise be imposed on the
12 customer by the commission to recover bond-related costs pursuant
13 to an agreement between the commission and the Department of
14 Water Resources pursuant to Section 80110 of the Water Code,
15 as well as the costs of the department equal to the share of the
16 department's estimated net unavoidable power purchase contract
17 costs attributable to the customer. The commission shall
18 incorporate the determination into an existing proceeding before
19 the commission, and shall ensure that the charges are
20 nonbypassable. Until the commission has made a determination
21 regarding the nonbypassable charges, net energy metering,
22 co-energy metering, and wind energy co-metering shall continue
23 under the same rules, procedures, terms, and conditions as were
24 applicable on December 31, 2002.

25 (m) In implementing the requirements of subdivisions (k) and
26 (l), an eligible customer-generator shall not be required to replace
27 its existing meter except as set forth in paragraph (1) of subdivision
28 (c), nor shall the electric utility require additional measurement of
29 usage beyond that which is necessary for customers in the same
30 rate class as the eligible customer-generator.

31 (n) It is the intent of the Legislature that the Treasurer
32 incorporate net energy metering, including net surplus electricity
33 compensation, co-energy metering, and wind energy co-metering
34 projects undertaken pursuant to this section as sustainable building
35 methods or distributive energy technologies for purposes of
36 evaluating low-income housing projects.

37 *SEC. 9. Section 2827.1 of the Public Utilities Code is amended*
38 *and renumbered to read:*

1 ~~2827.1.~~

2 2827.3. (a) By October 1, 2013, the commission shall complete
3 a study to determine who benefits from, and who bears the
4 economic burden, if any, of, the net energy metering program
5 authorized pursuant to Section 2827, and to determine the extent
6 to which each class of ratepayers and each region of the state
7 receiving service under the net energy metering program is paying
8 the full cost of the services provided to them by electrical
9 corporations, and the extent to which those customers pay their
10 share of the costs of public purpose programs. In evaluating
11 program costs and benefits for purposes of the study, the
12 commission shall consider all electricity generated by renewable
13 electric generating systems, including the electricity used onsite
14 to reduce a customer's consumption of electricity that otherwise
15 would be supplied through the electrical grid, as well as the
16 electrical output that is being fed back to the electrical grid for
17 which the customer receives credit or net surplus electricity
18 compensation under net energy metering. The study shall quantify
19 the costs and benefits of net energy metering to participants and
20 nonparticipants and shall further disaggregate the results by utility,
21 customer class, and household income groups within the residential
22 class. The study shall further gather and present data on the income
23 distribution of residential net energy metering participants. In order
24 to assess the costs and benefits at various levels of net energy
25 metering implementation, the study shall be conducted using
26 multiple net energy metering penetration scenarios, including, at
27 a minimum, the capacity needed to reach the solar photovoltaic
28 goals of the California Solar Initiative pursuant to Section 25780
29 of the Public Resources Code, and the estimated net energy
30 metering capacity under the 5-percent minimum requirement of
31 paragraphs (1) and (4) of subdivision (c) of Section 2827.

32 (b) (1) The commission shall report the results of the study to
33 the Legislature within 30 days of its completion.

34 (2) The report shall be submitted in compliance with Section
35 9795 of the Government Code.

36 (3) Pursuant to Section 10231.5 of the Government Code, this
37 section is repealed on July 1, 2017.

38 *SEC. 10. Section 2827.1 is added to the Public Utilities Code,*
39 *to read:*

1 2827.1. (a) For purposes of this section, “eligible
2 customer-generator,” “large electrical corporation,” and
3 “renewable electrical generation facility” have the same meanings
4 as defined in Section 2827.

5 (b) The commission shall develop a standard contract or tariff
6 for eligible customer-generators with a renewable electrical
7 generation facility that are customers of a large electrical
8 corporation no later than July 1, 2015. The commission may
9 develop the standard contract or tariff prior to July 1, 2015, and
10 may require a large electrical corporation that has reached the
11 capacity limitation of subparagraph (B) of paragraph (4) of
12 subdivision (c) of Section 2827 to offer the standard contract or
13 tariff to eligible customer-generators. A large electrical
14 corporation shall offer the standard contract or tariff to an eligible
15 customer-generator beginning January 1, 2017, or prior to that
16 date if ordered to do so by the commission because it has reached
17 the capacity limitation of subparagraph (B) of paragraph (4) of
18 subdivision (c) of Section 2827. The commission may revise the
19 standard contract or tariff as appropriate to achieve the objectives
20 of this section. At a minimum, in developing the standard contract
21 or tariff, the commission shall do all of the following:

22 (1) Establish rates, terms of service, and billing rules for eligible
23 customer-generators.

24 (2) Ensure that the standard contract or tariff made available
25 to eligible customer-generators is based on the electrical system
26 costs and benefits received by nonparticipating customers of the
27 electrical corporation for the renewable electrical generation
28 facility located on the customers’ premises.

29 (3) Preserve nonparticipant ratepayer indifference.

30 (c) Beginning January 1, 2017, or when ordered to do so by the
31 commission because the large electrical corporation has reached
32 its capacity limitation of subparagraph (B) of paragraph (4) of
33 subdivision (c) of Section 2827, all new eligible
34 customer-generators shall be subject to the standard contract or
35 tariff developed by the commission and any rules, terms, and rates
36 developed pursuant to subdivision (b) of this section, and shall
37 not be eligible to receive net energy metering pursuant to Section
38 2827. There shall be no limitation on the number of new eligible
39 customer-generators entitled to receive service pursuant to the
40 standard contract or tariff after January 1, 2017. An eligible

1 *customer-generator that has received service under a net energy*
2 *metering standard contract or tariff pursuant to Section 2827 that*
3 *is no longer eligible to receive service by operation of paragraph*
4 *(5) of subdivision (c) of that section shall be eligible to receive*
5 *service pursuant to the standard contract or tariff developed by*
6 *the commission pursuant to this section.*

7 *SEC. 11. No reimbursement is required by this act pursuant*
8 *to Section 6 of Article XIII B of the California Constitution because*
9 *the only costs that may be incurred by a local agency or school*
10 *district will be incurred because this act creates a new crime or*
11 *infraction, eliminates a crime or infraction, or changes the penalty*
12 *for a crime or infraction, within the meaning of Section 17556 of*
13 *the Government Code, or changes the definition of a crime within*
14 *the meaning of Section 6 of Article XIII B of the California*
15 *Constitution.*